



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

**Date:** 11/22/2006

**GAIN Report Number:** TC2023

## United Arab Emirates

## Retail Food Sector

## UAE Retail Sector Report 2006

**2006**

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**Report Highlights:**

The UAE retail sector continues to grow, supported by the upgrading of existing retail stores and the addition of state of the art new mega retail stores. The UAE market presents retailers with diverse relatively high-income consumers. U.S. exporters who are willing to establish personal relationships, consolidate shipments, and meet the labeling requirements of the UAE market will find a rapidly growing sector in which to sell a wide range of products. Annual sales in the industry are estimated at \$3.5 billion.

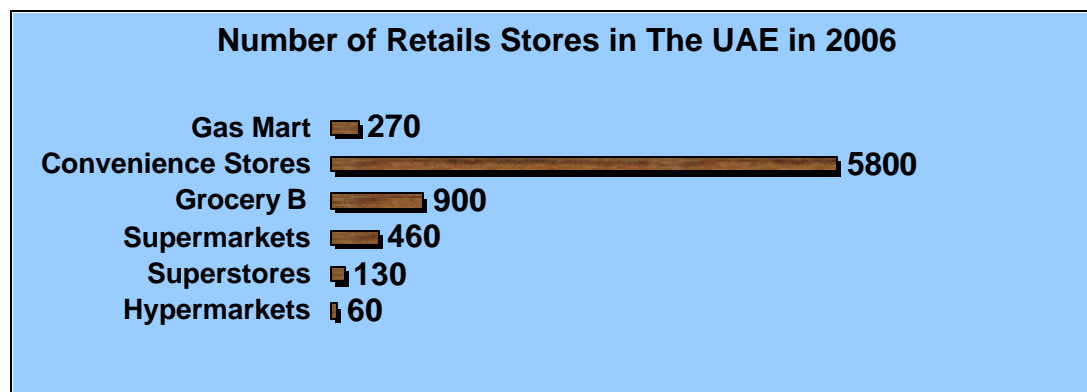
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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Dubai [TC1]  
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## I. MARKET SUMMARY

- ❑ The retail sector in the United Arab Emirates (U.A.E.) continues its strong growth and development. New stores are added annually to the country's retail map, creating strong competition among the major retailers. The new stores match Western retail establishments in size and variety.
- ❑ In the absence of official data, major retailers estimate the annual value of the U.A.E. retail food market at about \$3.5 billion and the annual growth in retail sales at about 10 percent. Newly established retailers report higher growth rates than those claimed by established firms.
- ❑ An estimated 75 percent of foods sold in retail outlets are imported and an estimated 20 percent are processed locally using primarily imported ingredients. Local agricultural production is limited and includes poultry, dairy products and some vegetables. Local date processing is a rapidly expanding industry.
- ❑ Since hypermarkets and superstores were introduced to this market, they have helped in re-shaping the retail sector. The number of hypermarkets has increased by 14 to 60 over the past three years, while the number of superstores has also increased by about 50 percent since 2003.

❑



- ❑ Although retail development is more focused in Abu Dhabi, Dubai and Sharjah, the three largest emirates of the UAE that account for nearly 75 percent of the population, major retailers are including less populated areas of the country in their expansion plans. Consumers in the three large emirates tend to shop more at larger stores and less at smaller grocery and convenience stores; such stores are relied upon for last minute, spur of the moment food needs. However, in the more distant suburbs and the lesser-developed areas of the country, grocery and convenience stores play an important role in the retail business.
- ❑ Hypermarkets, superstores and supermarkets, despite their limited number, are gradually gaining larger market share, accounting for about 50 percent of all retail sales. Smaller-sized groceries and convenience stores account for the balance.
- ❑ Co-operatives in the UAE constitute a growing part of the retail sector. Coops receive government support and attract broad-based support, particularly from U.A.E. nationals, who usually hold shares in these coops. In the past, coops were perceived as serving the low-to-medium income brackets. However, new locations

and state of the art stores are attracting higher income consumers. Coops are known for competitive prices on a more limited range of products. Co-ops market share is estimated at about 30 percent of the overall UAE total retail industry turnover.

- ❑ With the exception of the coops, major chains source imported products directly from abroad or via local importing companies. The ability to consolidate shipments is an important consideration for U.S. exporters. Most importers, wholesalers, and distributors do not require an entire container of a single product or products from a single brand or company. Instead, they rely on mixed containers to meet their needs. This is especially important for U.S. exporters who face higher freight costs than other closer suppliers. Retailers often depend on importers, wholesalers, and distributors to handle the logistics of importing and storing items. In some cases, local agents have been appointed to handle a particular company's products. The government recently eliminated any official sanctioning of these agent relationships for essential food items, but many contractual arrangements continue between supplier and agent.
- ❑ Companies involved in the importation and distribution of food are equipped with modern warehousing facilities, fleets of trucks, and a staff of sales representatives.
- ❑ New stores are extending their range of services to include sections for cooked products, ready-to-cook prepared foods, home delivery, cafeterias, banks, bakeries, laundries, audio/video shops, pharmacies, flower shops and more. Coops extend their services to include Dubai Police offices for driving license renewal and payments of fines.
- ❑ Retailers continue to face challenges in locating trained staff for their operations. Virtually all retail employees are sourced from countries such as India and the Philippines.
- ❑ The distribution and sale of alcoholic beverages is limited to a few authorized dealers.

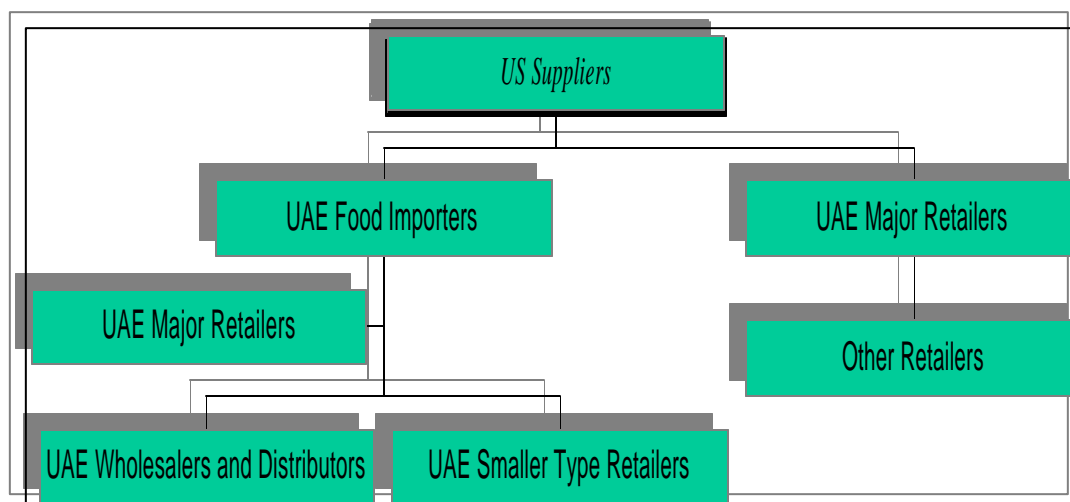
Advantages	Challenges
The U.A.E. enjoys one of the highest per capita incomes in the world.	Competition is keen for the consumer's attention.
The retail sector continues to grow and modernize as reflected by the resources devoted to upgrading existing stores and construction of new outlets.	Lack of importer knowledge of the wide range of U.S. products and brands.
The U.S. enjoys a fixed exchange rate with the UAE Dhiram.	Stiff competition with regional suppliers who enjoy freight and delivery time advantages.
U.S. products are perceived as high quality and importers like to deal with U.S. suppliers.	Consumers have varied tastes and preferences.
The U.A.E. imports nearly 90 percent of its food requirements.	Lack of awareness of U.S. products by consumers.

## II. ROAD MAP FOR MARKET ENTRY

### Entry Strategy

- ❑ U.S. companies are encouraged to exhibit at major trade shows within the region to develop name recognition. The annual Gulfood Show, which takes place in Dubai, UAE is the largest food show in the Middle East and is widely attended by major food traders from the Gulf region, East and North Africa and Asia, particularly the Indian Subcontinent. The next Gulfood will be held February 19-22, 2007. For more information, please contact ATO Dubai.
- ❑ Visit the region. Personal contact is a must to initiate business. It is the most effective means to establish on-going business relations in the U.A.E. as local food importers receive enormous quantities of letters, faxes and e-mail inquiries from potential food suppliers around the globe.
- ❑ Exhibit at major food shows in the United States. Many major Gulf region importers attend shows to seek out new products and business opportunities.
- ❑ Know the market, be familiar with labeling requirements and be prepared to discuss pricing and marketing plans with companies interested in your products.
- ❑ Be willing to entertain initial orders that are smaller than you would prefer, to share a shipment with other U.S. suppliers or to consolidate shipments with more than one product.
- ❑ Know that local importers are mainly interested in long-term commercial relationships.
- ❑ U.S. products are known for being of good quality, but pricey. Attract potential customers by showing how you can work with them on the issue of product pricing.

# UAE DISTRIBUTION CHANNEL



## Market Characteristics

Hypermarkets, supermarkets, and superstores are generally located in urban areas. Smaller-sized stores are scattered in urban, suburban, towns and rural areas, with a larger concentration found in the country's interior.

Locally processed food may represent only 20 percent of all retail products but this sector is slowly growing. Imported food products account for the lion's share of products. New-to-market products are welcome, but promotion is vital.

Most growth in the retail sector is occurring in large-sized stores. Consumers tend to conduct their primary shopping in larger stores and to depend less on smaller grocery and convenience stores to meet basic needs.

The U.A.E. is an affluent country holding one of the highest per capita incomes in the world.

Expatriates represent about 80 percent of the total U.A.E. population

## A. SUPER STORES, SUPERMARKETS, HYPER MARKETS AND SUPER CENTERS, CLUB AND WAREHOUSE OUTLETS

## Company Profiles:

Retailer Name and Outlet Type	Ownership (local/foreign)	Sales (\$Mil)	No. of Stores	Locations (City/Region)	Purchasing Agent Type
T. Choithram & Sons (TCS)	International	150	24	Regional	Importer/local buyer/distributor
Consumer Co-op	Local	550	85	Regional	Direct
EMKE Group (Lulu/Al Falah stores)	Indian/Local	500	45	UAE/Regional	Importer/local buyer
Abela Stores	Local	18	1	Abu Dhabi	Importer/local buyer/wholesaler
Al Safeer Group	Indian	200	22	Regional	local buyer/little import
Spinney's Dubai	Local	200	22	Regional	Importer/local buyer/wholesaler
Al Maya Lal's Group	UK/India	60	14	Regional	Importer/local buyer/distributor
Carrefour/MAF Hypermarkets	Local	600	10	Regional	Buys locally/import
Lebanese Fruit Co.	UAE/Lebanese	25	8	Sharjah/Abu Dhabi/Dubai	Importer/local buyer/distributor
Geant	UAE	2		Dubai	Local buyer
Park n' Shop	Indian	13	1	Dubai	Importer/local buyer/distributor
Safestway/Giant Supermarket	49/51 U.A.E./Indian	35	11	Regional	Importer/local buyer/wholesaler

**B. Grocery Stores, Convenience Stores, Gas Marts****Company Profiles:**

Retailer Name and Outlet Type	Ownership (local/foreign)	Sales (\$Mil)	No. of Stores	Locations (City/Region)	Purchasing Agent Type
Emarat Gas Marts	Local	50	65	Regional	Local buyer
Emirates Petroleum Co.	Local	100	190	Dubai/Sharjah	Local buyer
ADNOC	Local	15	15	Abu Dhabi	Local Buyer

*Note: Above information sourced from trade and ATO estimates for 2006*

- ❑ Convenience/Grocery (C/G) stores far outnumber all other types of retail outlets. In urban centers, convenience stores serve as last minute, one-or-two item suppliers. However, in suburban and interior areas these stores are the primary supply centers.
- ❑ C/G stores account for about 50 percent of the retail business but this market share is expected to decline given the expected increase in hypermarkets and supermarkets.
- ❑ Generally, food importers/local processors deliver their products to C/G stores. In some cases, C/G owners augment store supplies by going to the importer or wholesaler. The latter case is particularly true when fresh produce is involved.
- ❑ Most C/G stores provide home delivery service thus their prices tend to be slightly higher than those offered by larger retail outlets.
- ❑ C/G stores are not suitable for marketing activities or introducing new-to-market products. They mostly stock products of frequent demand and carry a limited number of U.S. products.
- ❑ The number of new Gas Mart outlets is rising rapidly. Companies are investing in this concept, giving outlets trendy new looks and stocking with a wide range of products, in effort to attract a more consistent customer base. Several Gas Mart operations have staged in-store promotions, but results are not readily available.

**III. COMPETITION**

- ❑ The U.A.E. depends heavily on imports to fill the gap between limited domestic food production and demand from a growing population base. Despite attempts to increase local production of food products in recent years the U.A.E. still imports an estimated 90 percent of its total food requirements.
- ❑ Drawn by the country's affluence, food suppliers from all over the world vigorously

compete for market share. EU and Asian products pose the greatest competition to U.S. products. Both hold a proximity advantage, which translates to lower freight costs. Locally processed food products are limited in range and are most competitive in the categories of snack food, juices and some confectionery items.

- ❑ Competitors are generally able and/or willing to meet the UAE food import labeling requirements, including Arabic labels and production and expiration dating, which can give them an advantage over U.S. food companies who are at times reluctant to alter labels for a relatively small market.
- ❑ The U.S. market share for food imports is 8-9 percent. Nearly 50 percent of products imported from the U.S. are consumer-ready. Some U.S. origin food is re-exported to countries throughout the region. Food re-exports (from all sources) total about \$2 billion annually. U.S. market share could increase if more consolidators were to take part in exporting mixed containers.

**Locally processed foods are made primarily from imported ingredients. In many cases, the U.S. is a significant supplier of those imported ingredients.**

Product Category	Major Suppliers (% based on volume)	Major Suppliers Advantages
<b>Beef</b>  Net imports: 33,000 MT  US \$10 mil	1. India: 70%  2. Australia: 10%  3. New Zealand: 5%  US: Minor supplier 3.5%	<b>India:</b> Very price competitive due to low cost of production, negligible freight cost due to proximity.  <b>Australia:</b> Competitively priced due to low production cost for range fed cattle, low freight cost due to bulk shipments.  <b>New Zealand:</b> Good quality products which are less expensive than similar U.S. origin products.
<b>Poultry</b>  Net imports: 171,000 MT  US 15,000 MT	1. Brazil: 80 %  2. U.S.: 8%  2. France: 6%  3. Denmark: 2%	<b>Brazil:</b> Very competitively priced due to low cost of production.  <b>Denmark and France:</b> Lower price due to export subsidy received from the EU, proximity to the U.A.E.
<b>Powdered Milk</b>  Net imports: 70,000 MT  U.S.: \$1.2 mil	1. Holland: 30%  2. New Zealand: 22%  3. Denmark: 8% 4. India: 10%  5. U.S.: Negligible	<b>Holland:</b> Lower price and good marketing practices and EU subsidy  <b>New Zealand:</b> Aggressive marketing has helped NZ to establish a solid market for all its dairy products.



		<p><b>India:</b> Lower prices for products and freight</p> <p><b>Denmark:</b> Similar to Holland, but product availability for export less.</p>
<p><b>Rice</b></p> <p>Net imports: 650,000 MT</p> <p>US: \$1.5 Mil</p>	<p>1. Pakistan: 40%</p> <p>2. Thailand: 35%</p> <p>3. India: 15%</p> <p>US market share: Negligible</p>	<p><b>Pakistan:</b> Large expat population that seeks basmati and certain long grain varieties, low cost of production, proximity to the UAE.</p> <p><b>Thailand:</b> Low priced rice that mostly is re-exported to Iran.</p> <p><b>India:</b> Proximity, low cost of production, supplies both basmati and long grain rice.</p>
<p><b>Chocolates</b></p> <p>Net imports: 18,850 MT</p> <p>US: \$2 mil</p>	<p>1. Turkey: 13 %</p> <p>2. U.K.: 12.7%</p> <p>3. France: 12.2%</p> <p>US market share: 3%</p>	<p><b>Turkey:</b> Proximity, low cost of production.</p> <p><b>U.K.:</b> Traditional supplier with broad name recognition.</p> <p><b>France:</b> Reputation for good quality, strong marketing program.</p>
<p><b>Confectionery</b></p> <p>Net imports: 20,000 MT</p> <p>US: \$1.6 Mil</p>	<p>1. China: 10.6%</p> <p>2. Turkey: 10.3%</p> <p>3. Indonesia: 9.6%</p> <p>US market share: 1%</p>	<p><b>China:</b> Low cost products</p> <p><b>Turkey:</b> Low cost of production.</p> <p><b>Indonesia:</b> Low cost of production but low quality products</p>
<p><b>Fresh Vegetables</b></p> <p>Net imports: 650,000 MT</p> <p>US: \$ 4 mil</p>	<p>1. Pakistan: 23%</p> <p>2. India: 22%</p> <p>3. Iran: 12%</p> <p>US market share: Negligible</p>	<p><b>Pakistan, India and Iran:</b> Proximity, low cost of production.</p>

Data provided above are based on trade statistics and ATO estimates

- ❑ The U.S. plays an important role in the U.A.E. snack food import market. Similar products of local origin are of lesser but improving quality. Snack food products produced in other Gulf States and other European and Asian countries are also imported. Some U.S. brands are sourced from origins other than the United States.
- ❑ Demand for private label is on the rise. Many of the retailers and food importers have developed their own brand name. They source their products from different

countries where they can get the best deals.

- ❑ U.S. breakfast cereal brands marketed in the U.A.E. are produced primarily in Europe under licensing agreements with U.S. companies. Generally, breakfast cereals are sourced from the UK, Germany and Australia.
- ❑ Beef destined for the processing industry is sourced mainly from India. Beef destined for consumer retail is sourced primarily from New Zealand and Australia who already dominate the lamb and mutton markets. U.S. beef is popular within the HRI sector, among high-end hotels and restaurants. Currently, only one top-end retail chain sells U.S. beef.
- ❑ U.S. whole chicken is expensive compared to similar products from Brazil, France and Denmark.
- ❑ Cheeses are sourced from many countries, led by France, Holland, Australia, Switzerland and the U.K. U.S. cheeses command a premium price, as most is flown-in by some major retailers in limited quantities. Milk powder is imported from Holland, Denmark, Australia and New Zealand. Other dairy products, such as fresh, re-constituted and UHT milk, yogurt and other Arabic-style dairy products, are mostly produced/processed locally.
- ❑ Table eggs are sourced from India and Holland. Locally produced and eggs imported from other Gulf States are in demand for their freshness, though they are much more expensive.
- ❑ Pears are sourced primarily from the U.S., China and Lebanon. The U.S. is the second largest supplier of fresh apples after Iran. Many other fresh fruits and vegetables are imported from Iran, India, Pakistan, Saudi Arabia, Lebanon, Jordan, South Africa, Australia, Syria, Pakistan and Egypt.
- ❑ Almonds are imported primarily from the U.S. Other types of nuts are imported from Iran, Turkey and India.
- ❑ Non-alcoholic beverages are produced mostly locally, though the market carries a broad range of such products from around the globe. The U.S. and South Africa remain the primary suppliers of high quality juices.
- ❑ Alcoholic beverages are imported primarily from the EU, Australia and India. The U.S. ships a limited quantity of beer, wine and bourbon to the market.
- ❑ Nursery stock is imported from Holland, India and Pakistan. In recent years, the number of local nurseries has increased.
- ❑ Pet foods are imported from the E.U., Australia and the U.S.
- ❑ Dates, tomatoes, certain other vegetables and, strawberries, are widely produced in the U.A.E. Fresh milk is supplied by a handful of large local dairy operations. Fresh chicken and table eggs are also locally produced but command prices substantially higher than similar imported products.

#### IV. BEST PRODUCTS PROSPECTS

**A. Products holding strong market potential include:**

<b>Product Category</b>	<b>2005 Imports (MT)</b>	<b>5-Year Avg. Annual Import Growth</b>	<b>Import Tariff Rate</b>	<b>Key Constraints for Market Development</b>	<b>Market Attractiveness for USA</b>
<b>Beef</b>	33,000	5- 10 % per annum	0	Competition from established suppliers from India, Australia and New Zealand	HRI sector which is expanding rapidly to service the growing tourist industry and population influx
<b>Poultry</b>	171,000	10 % per annum	0	Competition from established suppliers from Brazil, France, Saudi Arabia and Denmark	Poultry parts for the HRI sector
<b>Almonds</b>	15,000	5 % per annum	5%	Competition from alternative nuts	Raw, shelled and processed almonds for the Retail and HRI sectors as well as its high quality
<b>Fresh Apples</b>	110,000	5 % per annum	0	Strong competition from Iran, a major producer of low-priced red and golden apples, other varieties from Chile, France, China, New Zealand	Advanced production and storage technology makes US apples are available to the market most of the year.
<b>Food Preparation s NES</b>	45,000	5- 10 % per annum	5%	Intense competition from low quality products produced in neighboring countries as well as other Asian states	Retail and HRI sectors.
<b>Sauces</b>	12,500	5- 10 % per annum	5%	Increasing local production, imports from neighboring countries	HRI sector, particularly fast food and casual dining, and major retail outlets.

\*\*Data provided in the above table are based on trade statistics and ATO estimates

**In addition to the products listed above, the following products also hold strong potential if marketed aggressively:**

- Alcoholic beverages (beer, wine)
- Assorted non-alcoholic beverages
- Stone fruit and strawberries (fresh)
- Corn and other vegetables (frozen)
- Health foods and products for special needs such as diabetic foods
- Honey
- Ice cream
- Pet foods
- Snack Foods (salted, high quality)

**B. Products not present in significant quantities, but which have good sales potential if marketing efforts focus on 'quality':**

- Citrus fruits (fresh)
- Desserts (frozen)
- Jams and marmalades
- Pasta products
- Cheeses, Powdered milk
- Spices
- Breakfast cereals
- Fruits & vegetables (canned)
- Confectionery products, candies and chocolates
- Edible oils
- Rice

**C. Products Not Present Because They Face Significant Barriers:** This category is not relevant to the U.A.E. as the market is dependent on imported food products. Moreover, the U.A.E. applies a free trade policy that permits importation of food products with import duty varying between 0 and 5 percent. Staple food products enter duty free.

Locally produced foods and beverages are limited to salty snack foods, dairy products, catsup, some frozen vegetables, refining sugar, soybean oil extraction, flour and pasta products, canned beans, chocolates, candies, cakes to internationally known brand name soft drinks produced under licensing agreements, to packaged edible oils and juices.

### **Food Import Regulations:**

The 2006 revised version of the "U.A.E. Food and Agricultural Import Regulations and Standards Report," currently available via the USDA/FAS home page. URL: <http://www.fas.usda.gov>

### **C. Other ATO Publications and Reports Concerning the U.A.E.**

#### **1. Publications**

American Food Directory 2005/6 This annual publication lists American food companies and franchises operating in the five Gulf countries administered to buy ATO Dubai as well as their local distributors. A free copy may be requested from the ATO Dubai.

## 2. Attaché Reports

Latest ATO Dubai market reports may be viewed via the USDA/FAS home page. URL:

<http://www.fas.usda.gov/scripts/attacherep/default.htm>

## POST CONTACT AND FURTHER INFORMATION

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